

**SASKATCHEWAN
CO-OPERATIVE
CREDIT
SOCIETY
LIMITED
AND
SUBSIDIARY
ANNUAL
REPORT
1977**

AR49



A Note About Names

The name Credit Union Central is the popular title for Saskatchewan Co-operative Credit Society Limited, and the former name is used in reference throughout the body of this report.



Contents

Annual Meeting Agenda.....	1
Board of Directors.....	2
Executive Management.....	4
Introduction	5
Aim and Objectives	7
Report of Directors.....	7
Forty Years of Achievement.....	18
Financial Statements — Society	21
Financial Statements — Subsidiary.....	29

ANNUAL MEETING AGENDA FRIDAY, MARCH 10, 1978

9:00 a.m.
Call to Order
Notice of Meeting
Adoption of Rules of Order
Approval of Agenda
Credentials Report
Minutes of 1977 Annual
Meeting
Business arising from
Minutes

11:00 a.m.
Nominations for Directors-
at-Large
Directors' Report

11:45-1:15 p.m. - LUNCH
Directors' Report

2:00 p.m.
Election
Audit Report
Appointment of Auditor
Resolutions
Unfinished Business
New Business
Mutual Aid Board Report

5:00 p.m.
Adjournment

ANNUAL MEETING COMMITTEES

RESOLUTIONS COMMITTEE

Chairman - James Van Eaton
R. M. Game
Keith Sproule

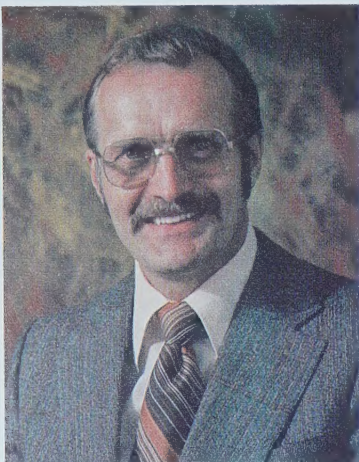
RETURNING OFFICER

Gary Mamer

PARLIAMENTARIAN

J. J. Dierker, B.A., L.L.B.

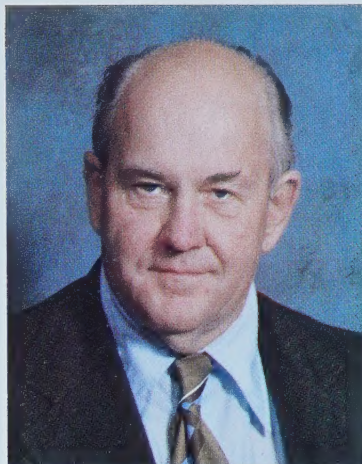
Board of Directors



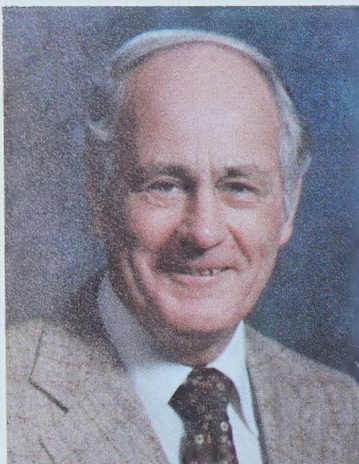
C. P. Hansen
President



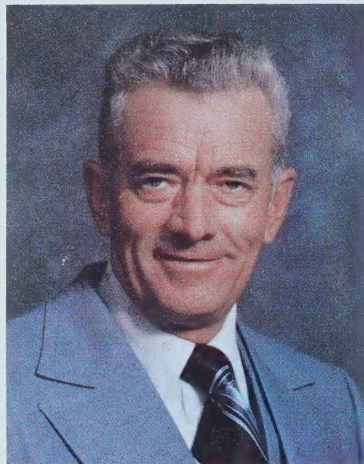
Arne Tomlinson
1st Vice-President



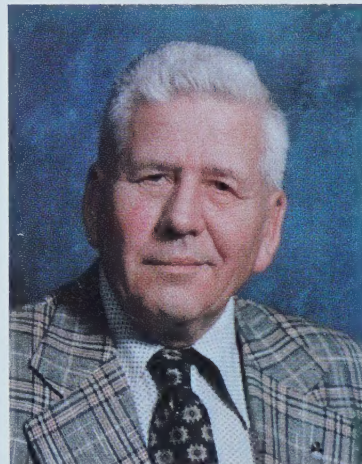
Frank Hall
2nd Vice-President



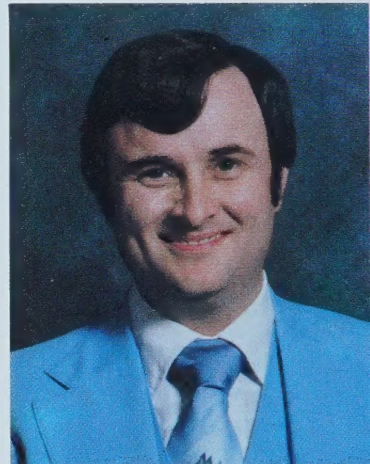
Robert Cowan
Executive Member



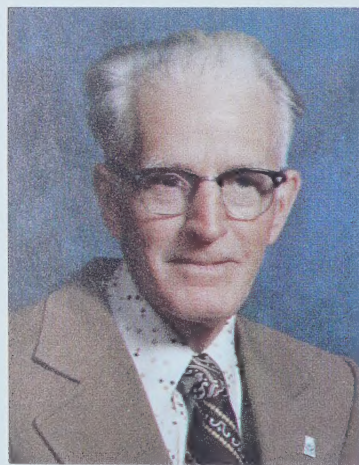
Keith Sproule
Executive Member



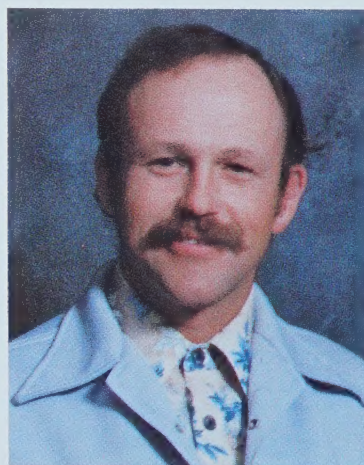
Harold Braaten



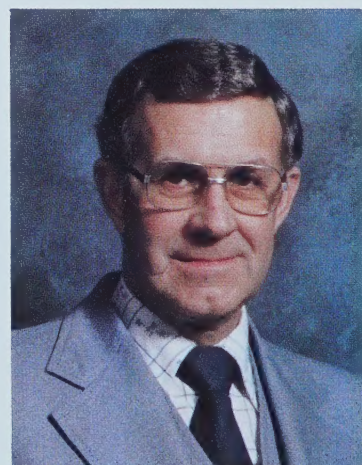
Ed Decker



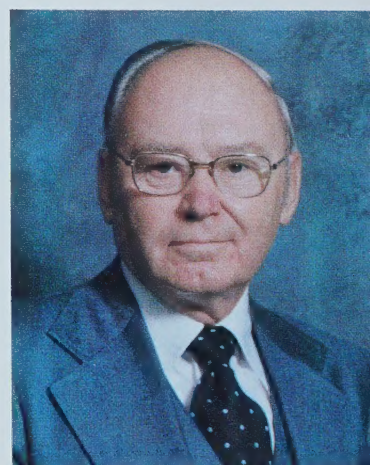
A. V. Kipling



Ross Korven



Paul Riviere



Phil Sampson

Standing Committees

EXECUTIVE COMMITTEE OF THE BOARD

C. P. Hansen, Chairman
Arne Tomlinson, 1st
Vice-President
Frank Hall, 2nd Vice-President
Robert Cowan,
Executive Member
Keith Sproule,
Executive Member

LEGISLATIVE COMMITTEE

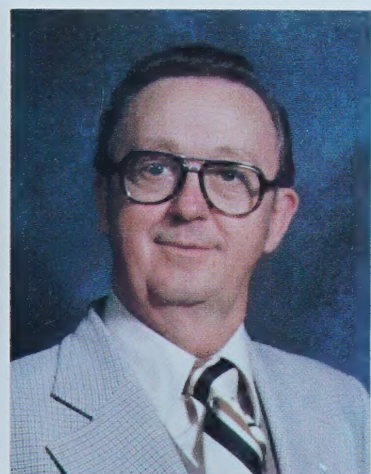
John Vinek, Chairman
Vern Buck
Phil Keller

AUDIT COMMITTEE

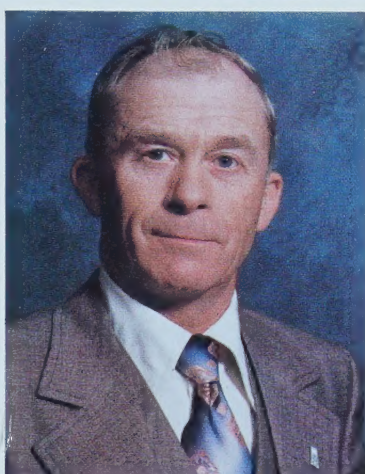
C. P. Hansen, Chairman
Arne Tomlinson
Norm Bromberger
R. Arscott

CREDIT COMMITTEE

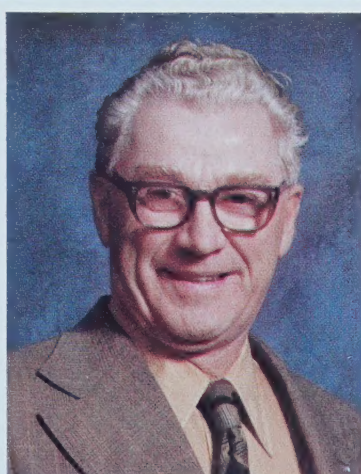
L. R. Tendler
Ed Gehert
Lloyd Warkentin
Don Pavelick
Norm Bromberger
Dale Hillmer
John Barr



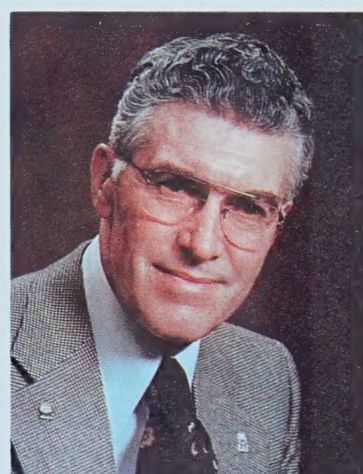
John Deutscher



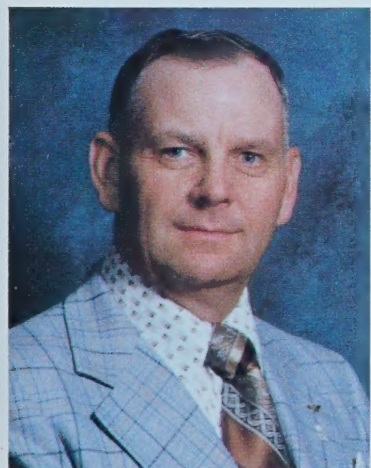
George Diceman



Arthur Fuller



Leo Hayes



J. Van Eaton



Sam Vanin



John Vinek

Executive Management

Dale Hillmer, Manager of Finance; Eldon Anderson, Executive Assistant and Corporate Secretary; John Barr, Executive Assistant, Special Projects and Research; Norman Bromberger, General Manager; Don Pavelick, Manager of Programing and Development.



Introduction



In reviewing the past year, it is obvious that major problems affecting the economies of the western nations have not been resolved. Key problems are:

- (a) inflation
- (b) relatively slow economic growth
- (c) increasing problems of unemployment
- (d) currency instability

These problems are also faced by the Canadian economy.

A number of attempts at solving some of these problems had been undertaken by these western nations as early as 1975. In fact, in 1975 Canada developed two major approaches to resolving the major economic problem of inflation. One was the imposition of wage and price controls. The second was adoption by the Bank of Canada of a monetarist position for controlling the growth of the money supply. This action by the Bank of Canada was, in effect, acknowledgement that inflation is a monetary phenomena. The two approaches were also a direct acknowledgement by the Canadian government that they considered inflation the key problem for our economy.

The economy of the Province of Saskatchewan was obviously affected by these national factors, as well as by a number of international trading factors. Increased wheat and other grain production around the world resulted in substantial reduction in prices for these grains and especially for wheat, our major export. This led to a substantial reduction in farm income in Saskatchewan. Although there has been some improvement in beef prices, the international trade problems in beef have not been resolved. An important consideration related to declining farm income is the increased cost of farm inputs. The resulting decline in farm net income has had obvious effects on the provincial economy in all sectors. The decline in the world economy has affected the demand for goods produced in other sectors of the provincial export market. These trends serve, once again, to reinforce the fact of the dependence of the economy of this province on national and international factors.

There are a few encouraging signs for the economy of Saskatchewan despite the continuing problem of inflation and

slow economic growth. The decline in the value of the Canadian dollar relative to the U.S. dollar has improved our competitive position in the international sale of Canadian production and commodities. There is also some indication that wheat prices are rising and may rise a little further due to over-optimistic assessments of world grain production. The final payments to farmers, although low when compared to those of recent years, were somewhat higher than anticipated. There is also a strong indication that there will be a payment to participating farmers from the federal government's Grain Income Stabilization Program. All these factors, including some rising beef prices, help to improve, to some extent, the net income position of Saskatchewan farmers for the future.

The major problems facing the provincial economy, as well as the rest of the Canadian economy, will have a bearing on our future prospects. The major problems are inflation and unemployment. There is some indication that inflationary pressures may be declining.



Unemployment will likely continue to be a problem and, in fact, will likely become worse. It is very likely to be a problem in Canada until the early 1980's when labour force growth will decline fairly substantially. Our balance of payment problem in foreign trade will improve to some extent as a result of the decline in the value of the Canadian dollar. Unfortunately, one major problem with respect to our balance of payments is the heavy debt payments, mainly to United States holders of corporate, municipal, provincial and federal long term debt.

One other matter which will create some uncertainty in the next year is the probability of a federal election. There will be uncertainty as to whether existing policy measures will continue. Will the Bank of Canada be able to maintain its efforts to bring inflation under control in the long term? An election could affect this and other federal policy thrusts, thereby creating uncertainty at a time when there are also many other unknowns.

There are a number of matters of specific concern to credit unions and Credit Union Central which will have a bearing on their future activities. In some areas — progress has been delayed.

The development in data processing systems for credit unions, both provincially and nationally, is going ahead well. This is particularly true of the network which is developing to handle communication between the provincial data processing systems. This is essential to our direct future participation in the Canadian Payments System, particularly for cheque clearing purposes.

There has also been very positive development on the national level with respect to the acquisition of a payment card for the use of credit union members.

One area in which progress has been delayed is in the passing of legislation pertaining to amendments to the Bank Act and to the development of the Canadian Payments Association Act. Due to delays in getting this legislation before Parliament and the possibility of an election, the legislation may be delayed well into 1978. This delay does give credit unions in this province and the rest of Canada additional time to set up our national cheque clearing system and the data processing communications network.

A final area of progress has been the development of the national financial system involving the growth of the Canadian Co-operative Credit Society. There will no doubt, over the next few years, be matters which must still be resolved. A continuing, deliberate approach to these problems as they arise, in the spirit of co-operation shown in the past, should help resolve them and lead to a stronger credit union system in Canada.

Although the past year has not been a good one for our economy, the credit unions in this province had a reasonably good year as did Credit Union Central. The prospects for next year, although subject to considerable uncertainty due to Canadian and provincial economic prospects, are reasonably good for credit union development in Saskatchewan and in the rest of Canada.

AIM

To be a co-operative financial intermediary, which through services to corporate members influences the economic and social environment for the benefit of people.

OBJECTIVES

1. Organization

Build and maintain a democratic organization which attracts, develops and effectively utilizes human resources.

2. Capital Procurement

Attract and retain sufficient capital to fulfill needs of the co-operative financial system.

3. Capital Utilization

Satisfy provincial, and participate in meeting regional and national capital and liquidity requirements of credit unions and co-operatives.

4. Financial

Manage revenues and expenses, to provide maximum security and equitable returns to corporate members.

5. Development

Develop and maintain the co-operative financial system to meet the changing needs of existing and potential corporate members.

6. Sales and Marketing

Research, develop and market services of Credit Union Central.

OBJECTIVE NO. 1

Organization

Build and maintain a democratic organization which attracts, develops and effectively utilizes human resources.

Member Control Structure

The membership control structure, consisting of 109 delegates and 18 directors representative of Credit Union Central's 243 credit unions and 314 co-operative members, provides the democratic dimension which is essential to every truly co-operative organization.

The structure's effective operation in 1977, as always, was based on substantial time and effort voluntarily dedicated to the affairs of Central. Assistance to delegates in the performance of their tasks was provided by the Secretarial Division, by District Program Managers, and by communication from the Board of Directors.

A problem-oriented study of the control structure was conducted during the year, with the purpose of improving its function. It is recognized that the complexity and demands in time of providing effective liaison between Central and its members presents serious problems in some cases.

Participation of delegates at district and subdistrict meetings during 1977 compared favorably with recent years.

A large proportion of delegates attended the orientation session for newly-elected delegates, delegate seminar, annual meeting and convention. At the delegate seminar the decision was taken to hold an annual education session.

District meetings were held in most credit union districts during the year.

Five regional meetings dealing with operational matters were attended by over 300 credit union directors and management personnel, with information resources provided by



Central's senior staff and President.

The annual Board-Management Seminar, assisted by two staff members of Canadian Co-operative College, took a fresh look at Central's purpose, programs and responsibilities. This resulted in a revised statement of aim and objectives, and of long term targets.

The Board Role Task Force continued its study of the roles and relationships of Board and Management, and submitted an initial report during the year. In accepting the initial report, the Board asked for further study of this important matter, and a further report will be submitted.



Expansion of Retail Co-operatives was symbolized by new store at Rosetown.

A Cost Control Strategy Task Force was active during the year, and considered questions of productivity, automation, branch operations and other matters.

Personnel Development

Progress was made toward fully computerizing a manpower inventory, and this will be completed in 1978.

Our placement service was successful in meeting an increased demand, with the majority of placements being in the management category.

A career planning seminar was held and was found helpful by participants in their career outlook.

Information packages for credit unions on personnel policies and on management changes were prepared.

In the area of training and development, the focus has been on improvement of employee performance. A research study on measurement of productivity has been completed but not yet tested. Nine courses were held during the year.

The videotape training service was utilized by more credit unions, representing about one-third of all employees.

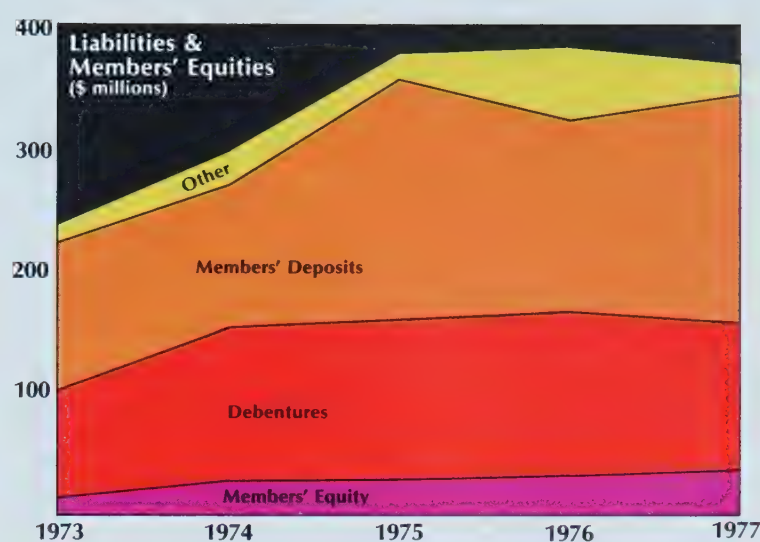
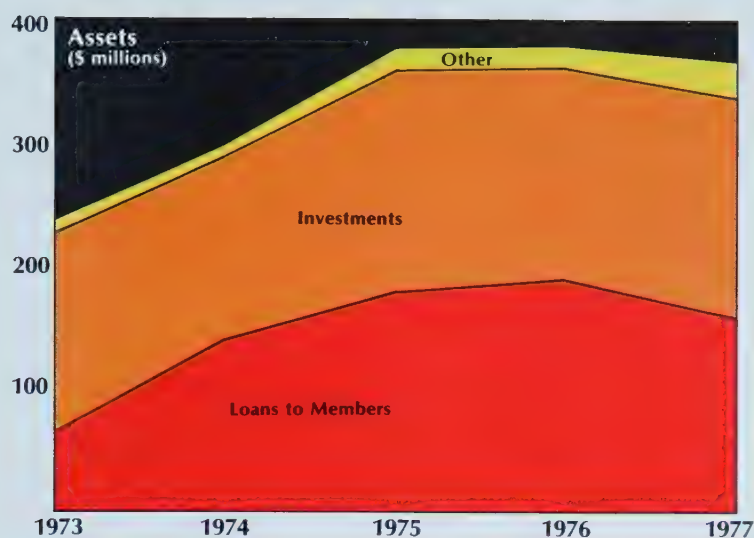
Continued support was provided to the Canadian Credit Union Institute program. Training directors of the provincial centrals reviewed policies regarding the program proposed by Co-operative College of Canada, and a further meeting in 1978 will finalize suggested changes.

Research was conducted into the respective roles and responsibilities of boards and managers, and this will be continued in 1978.

Major activity during the year in collaboration with a number of member organizations was concerned with industrial relations. This included seminars and other meetings, as well as the drafting of policy papers.

Within Central, a review of positions was made and some reclassifications effected. Personnel policies and procedures were revised, and a method of performance appraisals was presented to the Compensation Committee.

The Board of Directors takes this opportunity to extend to management and staff of Credit Union Central sincere thanks for their vital contribution to accomplishing another successful year in 1977. The efficiency and dedication of staff in both service and financial areas makes possible our success, and the high regard in which our organization is held. The Board recognizes this effort, and is appreciative.



OBJECTIVE NO. 2 Capital Procurement

Attract and retain sufficient capital to fulfill needs of the co-operative financial system.

There was a modest increase of \$33 million in members' deposits during the year, bringing the total to \$192 million. This was partially offset by a decline of \$15 million in debentures held by credit unions.

Because of the desirability of maintaining a 10:1 ratio of deposits and borrowings to equity capital, members were asked to reinvest their share dividend in additional shares. Almost 90% of dividends were reinvested, together with some additional funds, with the result that share capital increased by over \$3 million to \$29.4 million.

Total cash inflow exceeded \$4.18 billion and clearings outflow amounted to \$4.08 billion.

Contacts were made with a number of government agencies in an effort to obtain more short term funds, and to establish deposit transfer systems through credit unions.

Consideration is being given to other sources of short term funds, and the Canadian Co-operative Credit Society Limited is conducting research into short term money market instruments.

It is anticipated that the Canadian Society may also play a major role in developing sources of long term funds.



OBJECTIVE NO. 3 Capital Utilization

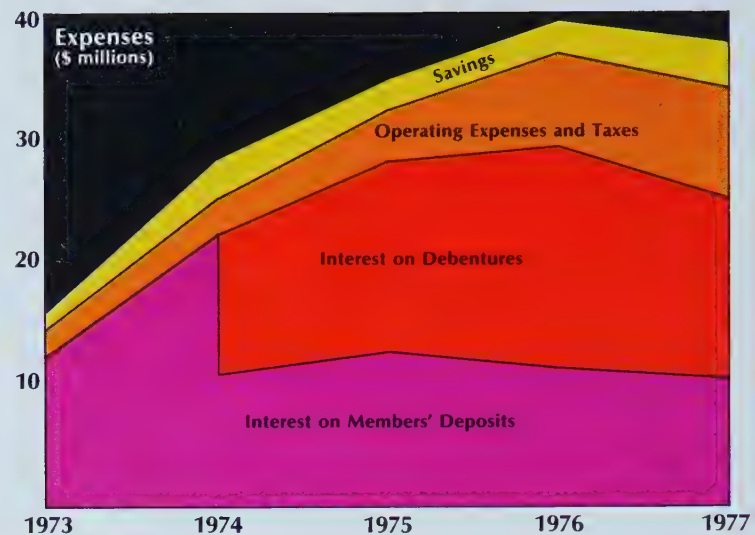
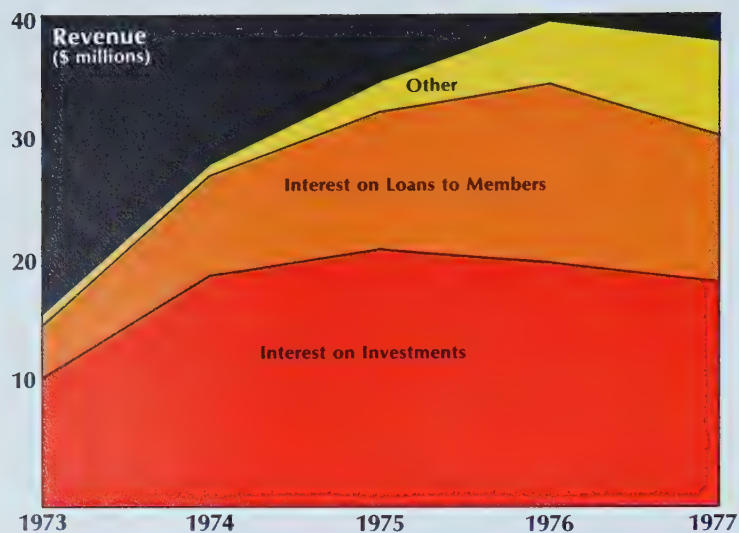
Satisfy provincial, and participate in meeting regional and national capital and liquidity requirements of credit unions and co-operatives.

Loan volumes were substantially reduced during the year and did not meet budget expectations. This is reflected in the line of credit and term loans outstanding at year end. Line of credit loans outstanding to credit unions amounted to \$54.8 million, sharply down from \$87 million at the end of 1976. Co-operative line of credit loans stood at \$25.7 million compared to \$37 million a year earlier. Co-op term loans were slightly up at \$78.2 million from \$76 million.

The loan policy of Central was completely rewritten during the year, but this did not affect the loan activity. Increase in loan volumes is not anticipated for 1978.

Decreased loan volume resulted in an increase in investments and cash holdings. At year end these, with accrued interest, amounted to \$200.4 million compared to \$175.2 million at the end of 1976.

Central's investment portfolio continues under a management agreement with the Canadian Society.



Saskatchewan Co-operative Financial Services Limited

The strategic plan for Central's subsidiary is being reviewed with a view to becoming more aggressive in policy and innovative in services. At the same time, it will continue to operate as an extension of credit union services and use credit unions as the prime member contact. The loan portfolio grew by 55% during 1977, with relative growth in loan categories as follows: business loans, \$2.6 million from \$1.1 million; farm loans, \$430 thousand from \$68 thousand; residential loans, \$24.8 million from \$16.8 million.

Term deposits held by credit unions increased by 93% from 1976, to \$19.7 million.

OBJECTIVE NO. 4 Financial

Manage revenues and expenses, to provide maximum security and equitable returns to corporate members.

As a result of a decline in loan volume, revenue decreased by \$2.5 million from 1976 to \$38.5 million. The marginal increase in net income to \$3.5 million was a result of the \$2.7 million reduction in expenses. An 8% dividend totalling \$2.1 million was paid, leaving the current year's surplus at \$1.4 million. At the end of 1977, net revenue was \$8 million, bringing total members' equity to \$37.4 million. Reserves increased to 2.7% of assets at year end, compared to 2.2% a year earlier.

Interest and dividends returned to members was \$27.8 million, compared to \$31.8 million in 1976.

In a continuing effort to improve Central's operating efficiency, a three-year plan is underway to develop a comprehensive management information system assisted by electronic data processing.



OBJECTIVE NO. 5 Development

Develop and maintain the co-operative financial system to meet the changing needs of existing and potential corporate members.

Assistance to credit unions in the fields of policy, administration and development were continued and broadened through district programming activities during the year.

Perhaps of most significance was the long term planning program, with 11 larger credit unions commencing development of comprehensive plans, and others indicating intent to start in 1978. Extension programs on various financial planning aspects were continued.

The question of executive and other employee compensation was examined at three special seminars because of concerns expressed about trends in this area. A total review of these programs will take place in 1978, with emphasis on board understanding of the revised programs.



Sherwood Credit Union's introduction of automated teller stations has added a new service dimension.

Continued support was provided in the area of control structure operation, as well as in the conduct of district meeting.

Preventative programming was concerned with credit unions showing operational losses, as well as with a number of monitoring, operational and policy factors.

Referrals to the Collection Department increased by 20%. Cost and other problems have been encountered in regard to the collection computer program and these are now being evaluated.

Substantial progress was made during the year in the planning and extension of electronic data processing services. A three-year conversion plan was developed, and it is anticipated that by 1980 75% of credit union members will be served by computer. An off-line system will be introduced in 1978 which will enable all credit unions of over 1,500 members to utilize fully computer service. At present, 52 credit unions with 133 branches are using EDP. There are over 445,000 accounts being han-



On line EDP teller service speeds service and boosts efficiency.

dled by the system in addition to 360,000 members' names and addresses.

The two largest credit unions, Saskatoon and Sherwood, employ the most comprehensive on-line, real-time system in Canada. Five automated teller units introduced by Sherwood Credit Union have proven highly successful.

A comprehensive on-line computerized payroll system was established. Some credit unions are now being connected to it, and the system will be available to credit union members by late 1978.

Substantial effort is being directed to development of a national credit union EDP system which will provide the basis for electronic funds transfer in the future.

Credit unions using contract management increased by one to a total of 20, and all reported a surplus for 1977.

Four research objectives were defined during the year as follows: to monitor and evaluate social and economic changes of potential importance to credit unions; to assist development of Central's information system and contribute data to the system; to conduct special research projects as required and to assist in research application; and to provide a facility for

Central interdepartmental research co-ordination, and for research liaison with other organizations.

Work is going forward in all of these areas.

Major legislative change during 1977 extended the protection of the Mutual Aid Fund and the powers of the Mutual Aid Board.

Legislation introduced in 1977 provides MAB guarantee of all credit union deposits and would remove the 8% limit on dividend rates, as well effect some other matters of interest to credit unions.

The Legislative Committee met four times during the year to review proposed provincial and federal legislative changes. A task force of five persons was appointed by the Board to review credit union legislation and recommend revisions, and it will begin functioning early in 1978.

Contact with elected officials and senior civil servants at the provincial and national levels was continued during the year by members of the Board and executive management. Meetings were held with the caucus'

of the three major provincial parties. There was also participation in a comprehensive Government Affairs Conference in Ottawa arranged by the Canadian Society and the Co-operative Union of Canada.

A new Services Department was established within the Programming and Development Division incorporating collections, supplies and printing. The object was to strengthen management of these functions in the interest of improved efficiency and service.

Guidelines for new credit union organization were developed in co-operation with the Mutual Aid Board and the Registrar. Research was conducted relative to northern communities in response to continuing requests for organization of credit unions in the north.





Printing and Supply is one of the valuable services of Central to Credit Unions.

OBJECTIVE NO. 6 Sales and Marketing

Research, develop and market services of Credit Union Central.

As the result of a two-year study, a new Department of Communications was established within the Programing and Development Division. This will consolidate the information, public relations and marketing functions with a single authority.

The Credit Union Way continued to be a major vehicle for the dissemination of news and ideas to credit union directors and management, as well as to public officials. Arrangements were made to expand the service of the publication to Alberta in 1978 on a experimental basis. Manitoba credit unions have also indicated an interest in further expansion to include that province.

Credit Unions continued to be assisted in their marketing, promotion and member relations activities with standard materials and through individual consultation on programs where requested.

The Central Marketing Program featured placement of advertising in local weekly newspapers for the first time. It also included established programs such as the Credit Union Creative Contest and Credit Union Ski Cup and other projects.

Arrangements were made for the first time for a joint advertising program of the three prairie provinces, to start in 1978.

A film on the Saskatchewan Credit Union system was produced and widely used at annual meetings and other occasions.

To provide further documentation of credit union development in Saskatchewan, a writer has been commissioned to produce a book for distribution in 1979.

Following a study by the Board in consultation with groups and individuals, it was agreed to establish a Public Issues Committee. Its function will be to advise the Board on the responsibility of Central to the social community, and the role it may play in helping to meet the needs of particular groups, and of society as a whole.

Several meetings of the corporate secretaries of the major central co-operatives were held to encourage co-ordinated activities where these are useful. One accomplishment was the formation of a Co-operative Arts Council, and a successful activity was sponsorship of the well-acclaimed play, "Paper Wheat".



Credit Unions like Meadow Lake participate in rodeo and other community events.

Events in Pictures

1. Central Directors Leo Hayes and Robert Cowan chat with Hon. Iona Campagnola, federal Minister of Fitness and Recreation following a meeting between the Minister and representatives of central co-operatives concerning a range of federal government matters in the spring of 1977.

2. Former federal Finance Minister Hon. Donald McDonald met with Central representatives in early 1977 regarding changes to the Bank Act and related matters. Here he chats with Eldon Anderson, Phil Sampson and Norman Bromberger.

3. Decisions for unified and increased national activity were taken at the 1977 annual meeting of NACCU and CCCS, held at Ottawa in May.

4. Arne Tomlinson and Chris Hansen discuss national issues with Bruce Thordarson, who is responsible for federal government relations in NACCU's Ottawa office.



1.



2.



4.



3.

5. Norman Bromberger and Peter Wouters explain data processing with four representatives from Iraq who were studying co-operatives in Saskatchewan.

6. Central delegation including Leo Hayes, Harold Braaten and Keith Sproule met with Saskatchewan senators Herb Sparrow, Save Steuart and Sid Buckwold at time of NACCU-CCCS annual meeting.

7. Delegates to the 1977 Convention chat with guest Robert Cooper, CBC Television's Ombudsman.

8. Some of Central's Directors who attended the Government Affairs Conference in Ottawa pose in front of the Parliament Building.



5.



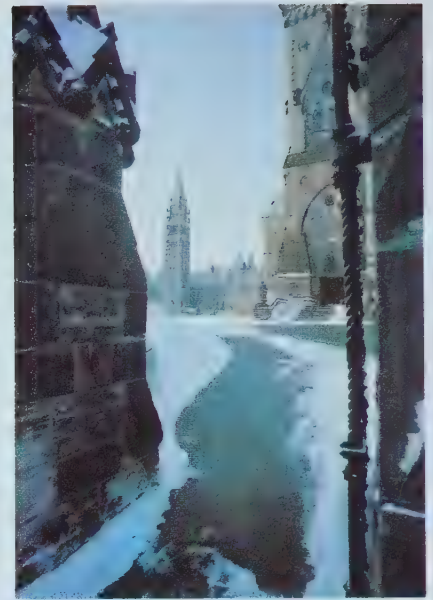
6.



7.



8.



National Relations

A major development of 1977 was the decision to develop a single national association, the Canadian Co-operative Credit Society Limited, integrating the functions of the National Association of Canadian Credit Unions as quickly as permitted by legal and structural constraints.

At the same time, a development plan supported by pledges of provincial support, is aimed at making C.C.C.S. a powerful central financial body of increasing usefulness to provincial credit union systems across Canada. The success of this program is indicated by the increase in share capital from \$20.2 million in early 1977 to \$122 million at the end of the year.

Credit Union Central has strongly supported this development, with equity investment of \$29.6 million and deposit investment of \$21.4 million at year end. In addition, C.C.C.S. manages Central's investment portfolio which may amount to as much as \$275 million at certain periods.

However, Credit Union Centrals' contribution is not only a financial one. Central's President, Chris Hansen, also serves as Vice-Chairman of the Board of the national organization. In addition, he acted as Chairman of the special Structure Committee which recommended the ultimate form and control structure of the organization. Norm Bromberger, General Manager of the Central, continues to serve as Chairman of the Liquidity Committee and as a member of a Priorities Committee dealing with the Bank Act and other major pieces of legislation, including the Co-operative Credit Associations Act. We, and the Canadian Society owe a debt of gratitude to Harold Braaten who served several years on the Canadian Society Board, and as President through five difficult years.

Appointment of George S. May as Chief Executive Officer, Ed Grad as Vice-President of Finance and Administration, and Robert Ingram as Vice-President of Communications and Services gives the Canadian Society a strong and experienced management team.

Through its Ottawa office, a government affairs conference and other continuing activities, the national body is raising the awareness of credit unions in federal government circles.

Active involvement with the Canadian Payments Standards Committee is designed to ensure smooth transition to direct clearing into the forthcoming Canadian payments system. Also, a project team is working with provincial centrals in the development of automated clearing over a national data communications network.

A record attendance of 850 persons attended the Canadian Conference of Credit Union Executives at Banff.

The 1977 national advertising program focussed on print and television, with advertisements placed in national periodicals and network television.

International Relations

Central continues support of the World Council of Credit Unions through the Canadian Society, which is now entitled to a third representative as a result of the attainment of three million Canadian credit union members.

World Council activities in the Third World are supported through the Co-operative Development Foundation. Current projects are located in Africa, Thailand, Korea, the Caribbean and South America.

A planned restructuring of the funding program through the Canadian International Development Agency will aid in maximizing contributions from credit unions and co-operatives. This, together with proposed changes to the Co-operative Development Foundation will improve the co-ordination of efforts toward development of co-operatives and credit unions in the developing nations.

Almost \$4,000 was contributed by credit unions in Saskatchewan to extension work in Canada and abroad during 1977. Central's policy of doubling contributions to a maximum of five cents per member will be implemented in 1978.

Central maintains liaison with the Saskatchewan Council for International Co-operation. A joint information program provides illustrated talks on extension work on request. There is increasing evidence that the thrust of extension in developing countries is aimed at stimulating people to influence their governments toward more constructive developmental projects which enable people to help themselves. The first priority in developed countries is to inform people, rather than simply seek financial gifts. One of the best types of aid is trade.

The 40th anniversary of the beginning of the formal development of credit unions in Saskatchewan occurred in 1977.

It was during the dusty, dry and desperate days of the late 1930's that many people envisioned the application to financial services of co-operative principles, which had proven their worth in many other enterprises from early settlement days.

During the four ensuing decades, credit unions have justified that vision by achieving a remarkable commercial success.

Co-operative beginnings —

That achievement is not surprising, however, in view of the long tradition of co-operative endeavors in the Canadian West and of the parallel development of co-operative organizations during these 40 years.

The retail co-operative movement is celebrating 50 years of wholesaling development and Saskatchewan Wheat Pool marked half a century years ago.

There is evidence of organized co-operative enterprise as early as 1885, and subsequently there was a great variety of activities in purchasing, from marketing and grain handling to milk processing and flour milling. A notable milestone was the establishment of the co-operative refinery at Regina in 1935.

There were a few isolated co-operative financial institutions long before 1937, which operated without benefit of legislation. La Caisse Populaire d'Albertville was the longest-lived, operating in the Roman Catholic parish of Albertville from 1916 until dissolution in 1936.

Credit Union Act, 1937 — In 1933 the Congress of the Co-operative Union of Canada was held at Regina, and it urged the provincial government to provide credit union legislation. This led to study by the Co-operatives and Markets Branch of the Saskatchewan Department of Agriculture, which resulted in the Credit Union Act of 1937.

Regina Hebrew Credit Union was the first incorporated under the new legislation, followed by one in Moose Jaw. The first rural credit union was established the following year at La Fleche.

Credit Union Federation, 1938

— The Credit Union Federation was formed in 1938 as a central body to promote the development and establishment of credit unions. At the time, there were only 16 credit unions either in existence or in the process of being formed. Ten years later this central became the Credit Union League of Saskatchewan, with a broader range of services and activities.

Many early credit unions started as hip pocket or desk drawer operations. The "staff" consisted of a director who held the part of secretary-treasurer. He made loans of a few dollars until next payday, or to finance small purchases of farm supplies.

Growth was relatively slow initially. Money was scarce until the end of the decade, after the start of World War II.

Early membership was largely drawn from committed members of the Wheat Pool and retail co-operatives, and employees of those organizations.

In the general society of the time, there was a strong ideological bias against credit unions, just as there had been against other co-operatives, although they did not have to face the fierce price-cutting competition with which many of the early co-operatives were attacked.

Considerable assistance was received in early promotion. Wheat Pool field staff and elevator agents were a major source of assistance. And in 1939 the Co-operative and Markets Branch of the Saskatchewan Department of Agriculture appointed an organizer to work with other co-operatives and the University of Saskatchewan to help initiate and develop credit unions.

The Record of Saskatchewan Credit Union Growth

	<u>1942</u>	<u>1947</u>	<u>1952</u>	<u>1957</u>	<u>1962</u>	<u>1967</u>	<u>1972</u>	<u>1977</u>
Membership	9,179	34,008	59,784	92,981	171,949	283,491	355,276	484,292
Assets (\$ Millions)	.3	6.3	21.4	42.9	137.4	383.8	608.6	1,762.4
No. Credit Unions	92	194	263	284	285	289	257	242

Credit Society formed, 1941 —

A major forward step was taken in 1941 with the formation of the Saskatchewan Co-operative Credit Society, whose first office consisted of a desk in a corner of a Regina warehouse. One aim and achievement of the Society was to increase the service available from individual credit unions by receiving temporarily surplus funds from some credit unions and making these available to others where loan demands exceeded available resources. The first loan was to a rural credit union to assist in financing a farmer for the production of fence posts. A second aim of the Society was to make surplus credit union funds available to co-operatives for working capital, and co-operatives were admitted to membership in the Society. This decision recognized the historic unity of the co-operative movement in Saskatchewan, and it repaid the debt of assistance which credit unions received from other co-operatives.

Negotiable Orders, 1944 — A step of enormous importance to credit unions was achieved in 1944, when the Credit Society arranged for the clearing of credit union negotiable orders. This enabled members to transfer funds from their accounts in the same manner as from bank accounts.

In the same year, a full-fledged

Department of Co-operation and Co-operative Development was formed by the newly-elected CCF government, since many of its members and supporters had been active leaders in co-operative and credit union development over the years.

Co-operative Life founded, 1945 — Establishment of Co-operative Life Insurance in 1945 extended co-operative services to meet another important financial need. It soon became closely associated with credit unions in providing share savings and loan insurance coverage.

Mutual Aid Fund, 1952 — Around 1950 the possibility of losses to members as the result of credit union failure became apparent, and the Credit Union League in 1951 urged establishment of a central reserve fund to overcome this problem. In 1952 legislation established the Mutual Aid Fund, administered by a Mutual Aid Board. Since then the Fund has provided assistance through loans and grants, and the Board has administered a preventative program. In 1977 all credit union deposits became fully guaranteed by the Board. After 40 years, Saskatchewan credit unions are proud of the fact that no member has lost a single cent of share capital or deposits.

Co-operative Trust established, 1952 — Formation of Co-operative Trust Company again extended the range of co-operative services available both directly and through credit unions.

During the 1950's Saskatchewan credit unions became firmly established. Most of today's credit unions had been founded by the start of the decade, although most were still small and struggling. Total membership was less than 50,000, an average of only about 200 members each. But by 1960 membership had nearly tripled, and the ground had been laid for tremendous growth of the following decade that saw membership include about one-half of the families of the province by 1970.

Royal Commission on Banking, 1962 — In preparation for the centennial revision of the Bank Act, the federal government appointed a Royal Commission on Banking and Finance. At hearings in Regina, the Credit Union League and the Credit Society joined forces in urging that credit unions remain under provincial legislative jurisdiction. It was pointed out that unlike the chartered banks, credit unions did not create money since their ability to extend credit was directly related to members' deposits.

Amalgamation of League and 19



One of the major figures in credit union development was Barney Arnason, here pictured chatting with Central Director Keith Sproule at the Co-operative Union of Canada's annual meeting at Calgary in 1977. Mr. Arnason was first Registrar of Credit Unions in 1937 and later first Deputy Minister of the Department of Co-operatives in 1944.

Society, 1969 — Discussion over several years had resulted in majority opinion that a single, strong central organization could better perform the functions of the League and the Society. Approval of amalgamation was given at the two organizations' annual meetings in 1968, and it was subsequently carried out in a smooth and efficient manner. A comprehensive delegate system of democratic control was chosen after extensive study.

Credit Union structure studied — About the same time as the move to amalgamation, and continuing into the early 1970's, there was substantial study and discussion among credit union leaders about the future structural direction of the system. This was in large part occasioned by the decline of many smaller rural centres as the result of changes in farm and transportation technology. A number of amalgamations of smaller credit unions with ones in nearby larger centres had already taken place. Models ranging from regional multi-branch organizations to a single, centralized unit were discussed. In the end, no major change won acceptance and there continued to be a moderate number of amalgamations on a local basis.

Electronic Data Processing, 1972 — A major new function

of the Society was assumed in 1972 in the provision of a centralized electronic data processing system for member credit unions. This development was based on the pioneering programs of Sherwood Credit Union of Regina and Saskatoon Credit Union. The EDP system has been developed rapidly and services, particularly to larger credit unions, are among the most advanced in Canada's financial system.

Saskatchewan Co-operative Financial Services, 1974 — With the growth of the credit union system to the status of a major element of the Saskatchewan financial system, it was recognized that it should play a larger part in the province's economic development. But there are inherent risks and other difficulties for individual credit unions in the area of longer term capital loans to meet business, farm and residential needs. A wholly-owned subsidiary of the Credit Society was established to undertake such activities which were beyond the prudent capabilities of local credit unions.

Northland Bank Chartered, 1975 — To assist business development in Western Canada, several central co-operatives in the Prairie region initiated and retain controlling interest in a chartered bank. Northland is a merchant or wholesale bank. It

is not in competition with credit unions, but is in effect an extension of credit unions in the business-loan field. Money market funds, which the bank utilizes, are made available for short or long-term.

Society Head Office Building, 1976 — Symbolizing the coming of age of Saskatchewan credit unions, the Credit Society moved into a new \$6.5 million head office building in 1976. With 100,000 square feet of space, the building is designed to serve the Credit Society's credit union and co-operative members for many decades to come.

Continuation of purpose, 1978 — As the Saskatchewan credit union movement approaches the completion of its first 40 years, it is almost unrecognizably different in size, sophistication and the scope of its services. Social and economic conditions and attitudes have changed from the hard days of the 1930's. But there has been no change in purpose. It remains the improvement in the quality of life of ordinary people through the provision basis. Achievement of this purpose over the years is unmeasurable. But it certainly has been very great indeed. And it is a record to inspire future generations to build on a foundation well-laid by dedicated men and women who held a humane vision of a better society for all.

Arscott, Hill & Matonovich
CHARTERED ACCOUNTANTS
REGINA, SASK.

The Members,
Saskatchewan Co-operative
Credit Society Limited,
Regina, Saskatchewan

We have examined the Balance Sheet of the Saskatchewan Co-operative Credit Society Limited at 31 December 1977, and the Statement of Operations and Retained Earnings and Schedules of Expenses for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Society at 31 December 1977 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

31 January 1978

Arscott, Hill & Matonovich

Regina, Saskatchewan

Chartered Accountants
Successors to
Arscott, Ogrady, Hill & Co.

Saskatchewan Co-operative Credit Society Limited

BALANCE SHEET
at December 31, 1977, 1976
(in \$000,s)

ASSETS

	1977	1976
Cash in Hand and in Bank.....	\$ 16,564	\$ 812
Investments & Accrued Interest (Note 1 (a))	183,131	173,851
Investments in Wholly Owned Subsidiary (Note 3) ..	<u>726</u>	<u>591</u>
 Total Cash and Investments	 200,421	 175,254
 Loans — Members plus interest (Note 1D, 10)	 161,982	 195,734
— Subsidiary (Note 3)	10,617	12,264
Deposit with Members	1,671	1,445
Development Fund Receivables	45	60
Data Processing Development Costs (Note 1 (c))	27	558
Accounts Receivable (Note 1 (c))	650	214
Inventories	178	161
Fixed Assets — (Note 2)	<u>592</u>	<u>498</u>
	<u><u>\$ 376,183</u></u>	<u><u>\$ 386,188</u></u>

LIABILITIES

Members' Deposits — Demand	\$ 39,394	\$ 11,385
— Term	150,941	147,852
— Student Loans	1,671	1,445
— Serial Certificates	208	183
Debentures — Secured (Note 4)	123,177	138,069
Interest Payable — Deposits	3,874	5,445
— Debentures	7,334	8,380
Loans Payable — (Note 5)	11,525	39,795
Accounts Payable	249	236
Income Tax Payable	108	38
Deferred Income Tax (Note 6)	<u>200</u>	<u>370</u>
	<u>338,681</u>	<u>353,198</u>
 Funds Under Administration:		
Development Fund	<u>89</u>	<u>89</u>

MEMBERS' EQUITY

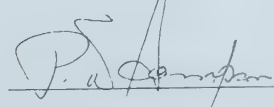
Share Capital:		
Authorized — 5,000,000 shares with a par value of \$10 each (Note 3)	<u>—</u>	<u>—</u>
Issued	<u>29,415</u>	<u>26,248</u>
Reserve — General Contingencies (Note 8)	1,382	867
Retained Earnings	8,744	7,882
Less Provision for Revaluation of Securities (Note 1 (a))	<u>(2,128)</u>	<u>(2,096)</u>
Net Reserves	<u>7,998</u>	<u>6,653</u>
Total Members' Equity	<u>37,413</u>	<u>32,901</u>
	<u><u>\$ 376,183</u></u>	<u><u>\$ 386,188</u></u>

"Approved on Behalf of the Board

SEE ACCOMPANYING NOTES



 Director



 Director

STATEMENT OF OPERATIONS AND RETAINED EARNINGS
for the years ended December 31, 1977, 1976
(in \$000's)

REVENUE	1977	1976
Interest — Loans — Members.....	\$ 12,323	\$ 14,724
— Subsidiary (Note 3)	977	402
— Investments — Regular.....	18,343	20,361
— Subsidiary (Note 3)	175	131
Clearing fees, service charges, commissions, mailing.	1,673	1,310
Data Processing.....	2,257	1,419
Management Fee — Subsidiary.....	—	60
Annual Dues	712	584
Mutual Aid Board — Fee for Service	427	346
Programing and Development	238	245
Supply.....	1,156	1,144
Printing.....	159	138
Other	45	128
	<hr/> 38,485	<hr/> 40,992
 DIRECT EXPENSES		
Interest — Members — Deposits	15,111	18,279
— Debentures	10,577	11,477
— Serial Certificates	15	16
Interest on Borrowed Money	681	1,048
Clearing Fees and Service Charges	386	277
Supply — Cost of Sales	973	962
Printing — Cost of Sales.....	62	74
Net Loss on Investment Transactions (Note 1 (b))	77	—
	<hr/> 27,882	<hr/> 32,133
 NET REVENUE	<hr/> 10,603	<hr/> 8,859
 OPERATING EXPENSES		
Salaries and Benefits	2,197	1,984
Travel (Note 2)	129	109
Office Rent — Subsidiary (Note 3)	568	351
General Office Expenses	497	393
Insurance, Fees, Licences & Taxes	49	41
Depreciation Office Furniture & Equipment (Note 2)	120	51
Computer Processing	1,217	939
Equipment Rent	755	196
Data Processing Development Costs (Note 1 (c))	47	142
Professional and Audit Fees.....	110	135
Uncollectible Loans (Note 1 (d))	290	101
Subscriptions and Publications	81	64
Grants and Dues.....	101	101
Director and Delegate Expense.....	165	122
Programs and Special Projects.....	77	87
Corporate Advertising and Promotion	63	82
Central Advertising Program.....	191	207
Miscellaneous.....	32	33
	<hr/> 6,689	<hr/> 5,138

Saskatchewan Co-operative Credit Society Limited

NET INCOME BEFORE TAXES	3,914	3,721
Income Tax — Current	569	245
— Deferred	(170)	170
NET INCOME	3,515	3,306
Dividends Paid on Share Capital	2,138	2,088
CURRENT YEAR'S SURPLUS	<u>\$ 1,377</u>	<u>\$ 1,218</u>
RESERVE — GENERAL CONTINGENCIES		
— Current Year (Note 8)	515	867
Retained Earnings — Current Year	862	351
Retained Earnings — Beginning of Year	7,882	7,531
RETAINED EARNINGS — Balance — December 31	<u>\$ 8,744</u>	<u>\$ 7,882</u>

SEE ACCOMPANYING NOTES

Saskatchewan Co-operative Credit Society Limited

SCHEDULE OF EXPENSES for the years ended December 31, 1977, 1976 (in \$000's)

FINANCE DIVISION	1977	1976
Personnel	\$1,427	\$1,312
General Business	1,584	783
Data Processing	1,247	1,080
Professional and Audit	95	112
Programing and Development	8	32
Uncollectible Loans	290	101
Appropriation to Services	313	236
	<u>\$ 4,964</u>	<u>\$ 3,656</u>

SERVICES DIVISION	1977	1976
Personnel	\$ 898	\$ 781
General Business	461	318
Data Processing	17	—
Programing and Development	561	549
Grants and Dues	101	70
	<u>\$ 2,038</u>	<u>\$ 1,718</u>

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

(a) INVESTMENTS —

- i) Debt securities purchased after 1975 are recorded at cost when purchased and the resulting premium or discount is being amortized on a yield basis. These securities are carried at amortized cost.

	BOOK	COST	MARKET
Government Bonds:			
Dominion of Canada	\$16,864,561	\$16,861,438	\$16,931,600
Quebec	253,999	255,000	262,500
Saskatchewan	1,802,658	1,802,570	1,790,000
	<u>\$18,921,218</u>	<u>\$18,919,008</u>	<u>\$18,984,100</u>

- ii) Debt securities purchased prior to 1976 are recorded at their par value. Any premium or discount was recorded as loss or gain at the date of purchase. These securities are valued at lower of cost or market.

Government Bonds:			
Dominion of Canada	\$ 3,675,000	\$ 3,708,138	\$ 3,647,450
Alberta	3,275,000	3,262,469	3,032,500
British Columbia	100,000	100,000	81,000
Manitoba	7,950,000	7,996,545	7,223,000
Newfoundland	650,000	648,125	585,500
Ontario	22,565,000	22,573,212	22,404,400
Quebec	1,225,000	1,236,469	1,225,000
Saskatchewan	7,235,000	7,247,066	6,569,460
Municipal	245,096	245,096	217,001
Other Bonds:			
Corporate	1,500,000	1,500,000	1,470,000
Co-operatives	3,385,000	3,385,000	3,341,500
	<u>\$ 51,805,096</u>	<u>\$ 51,902,120</u>	<u>\$ 49,796,811</u>

iii) OTHER INVESTMENTS:

- Equity, short term and mortgage investments are recorded at cost. These securities are valued at lower of cost or market.

Co-operatives	\$ 31,886,137	\$ 31,886,137	\$ 31,766,137
N.H.A. Mortgages	9,560,008	9,560,008	9,560,008
Short Term	70,787,125	70,787,125	70,787,125
TOTAL INVESTMENTS	<u>\$182,959,584</u>	<u>\$183,054,398</u>	<u>\$180,894,181</u>
Accrued Interest	2,299,636		
Provision for Revaluation	<u>(2,128,285)</u>		
TOTAL INVESTMENTS AND ACCRUED INTEREST	<u>\$183,130,935</u>		

Saskatchewan Co-operative Credit Society Limited

The provision for revaluation of investments valued at the lower of cost or market is the net of:

	1977	1976
Cost.....	\$164,135,390	\$174,581,358
Less Market Value at December 31.....	<u>161,910,081</u>	<u>172,276,555</u>
	2,225,309	2,304,803
Cost — Debt securities.....	51,902,120	75,776,843
Less Book Value Debt securities.....	<u>51,805,096</u>	<u>75,568,210</u>
Net Premiums Expended in Prior Years.....	97,024	208,633
Provision for Revaluation.....	<u>\$ 2,128,285</u>	<u>\$ 2,096,170</u>

(b) NET GAIN (LOSS) ON INVESTMENT TRANSACTIONS —

— For securities purchased prior to 1976, this is the difference between par and sales proceeds of investments sold.

— For securities purchased after 1975, the difference between amortized cost and sales proceeds is deferred and amortized over the life of the security sold; the amortization is charged to this account.

(c) DATA PROCESSING DEVELOPMENT COSTS — Expenditures for developing credit union computer systems are charged to this account and amounts recovered reduce this account. Expenses which are not expected to be recovered from users are written off as an expense of the current year's operations. The change in the account is as follows:

Balance December 31, 1976.....	\$1,053,592
Expenditures 1977.....	<u>170,445</u>
	\$1,224,037
Less Recovery	
1977.....	180,877
Commitments for 1978	
included in Accounts Receivable.....	<u>520,708</u>
	701,585
Net Expenditures.....	\$ 522,452
Expensed in Prior Years.....	<u>495,308</u>
Balance.....	<u>\$ 27,144</u>

(d) Loans to members on which liquidation proceedings are taking place have been written down to the estimated value of the security available.

2.

SCHEDULE OF FIXED ASSETS AND DEPRECIATION for the year ended 31 December, 1977

	Cost 31 Dec./76	Net Additions	Cost 31 Dec./77	1977 Provision	Accumulated Depreciation 31 Dec.77	Net
Automobiles	\$ 91,119	\$ 17,418	\$ 108,537	\$ 23,535	\$ 25,087	\$ 83,450
Mobile Offices	52,775	1,575	54,350	2,563	19,526	34,824
Equipment	294,752	16,205	310,957	31,607	174,804	136,153
Furniture.....	265,961	164,984	430,945	86,147	104,614	326,331
Facilities						
Improvements	—	10,924	10,924	92	92	10,832
	<u>\$ 704,607</u>	<u>\$ 211,106</u>	<u>\$ 915,713</u>	<u>\$ 143,944</u>	<u>\$ 324,123</u>	<u>\$ 591,590</u>

Saskatchewan Co-operative Credit Society Limited

The Fixed Assets are being depreciated on a straight-line basis at the following rates:

Mobile Offices	5%
Furniture	20%
Equipment	20%
Facilities Improvements.....	20%
Automobiles — 1st year 25%	2nd year 20%; 3rd & 4th years 15%.

Automobile depreciation totaling \$23,535 has been included with travel expense.

3. Saskatchewan Co-operative Financial Services Limited is a wholly-owned subsidiary of the Society. The accounts of this subsidiary are not consolidated with those of the Society in these financial statements. However, the investment in the subsidiary is accounted for on the "equity basis". All intercompany accounts are separately disclosed except for one issued and outstanding share to the subsidiary.
4. Debentures having maturities of two through seven years and issued to credit unions are secured by a floating charge on assets of the Society which ranks pari-passu with the obligations of the Society on deposits and ranks subsequent to specific charges created to secure borrowed money.
5. Loans Payable are secured by Investments and an Assignment of Book Debts.
6. Deferred Income Taxes arises from differences in accounting and tax treatment as follows:

Capital Cost Allowance in excess of depreciation	\$ 29,000
Special Reserve for losses for income tax purposes.....	156,000
E.D.P. Development Costs expensed for tax purposes but capitalized for accounting purposes	548,000
	<u>\$733,000</u>
Deferred tax (27% of \$733,000)	<u>\$200,000</u>

The reduction in the deferred income tax liability is a result of the reduction of 1977 Special Reserve.

7. Certain 1976 accounts have been regrouped for comparative purposes.
8. RESERVE — GENERAL CONTINGENCIES — The Reserve for General Contingencies has been created by an appropriation of the current year's surplus. 1976 figures have been restated to reflect the creation of this reserve. The reserve is increased by an amount equal to ½ of 1% of the principal amount of loans outstanding at year end less any amounts written off during the year.

	1977	1976
Principal	\$160,912,253	\$193,570,278
½ of 1%	804,561	967,851
Less Amounts Written Off	<u>289,596</u>	<u>100,728</u>
Amount Appropriated	<u>\$514,965</u>	<u>\$867,123</u>

9. COMMITMENTS:
 - (a) The total amount not yet disbursed on term loans approved is \$5,455,000.
 - (b) The total amount not drawn on approved lines of credit is \$187,264,000.
10. The Society has a loan outstanding to a member which is experiencing financial difficulties, the unguaranteed portion being \$3,000,000.

Saskatchewan Co-operative Financial Services Limited
Financial Statements

Arscott, Hill & Matonovich

CHARTERED ACCOUNTANTS
REGINA, SASK.

The Members,
Saskatchewan Co-operative
Credit Society Limited,
Regina, Saskatchewan

We have examined the Balance Sheet of the Saskatchewan Co-operative Financial Services Limited at 31 December 1977, and the Statement of Operations and Retained Earnings and Schedule of Operating Expenses (Building Account) for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company at 31 December 1977 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

23 January 1978

Arscott, Hill & Matonovich

Regina, Saskatchewan

Chartered Accountants
Successors to
Arscott, Ogrady, Hill & Co.

Saskatchewan Co-operative Financial Services Limited

BALANCE SHEET

At December 31, 1977, 1976
(In \$000's)

ASSETS

	1977	1976
Accounts Receivable and Other	\$ 5	\$ 163
Prepaid Corporate Tax	—	25
Loans Plus Accrued Interest	26,290	16,845
Lease Option Receivable	—	120
Fixed Assets (Note 1)	6,581	6,572
	<u>\$ 32,876</u>	<u>\$ 23,725</u>

LIABILITIES


Accounts Payable	\$ 24	\$ 31
Income Tax Payable	17	—
Term Deposits Plus Accrued Interest	20,548	10,736
Indebtedness to Parent (Note 2)		
— Line of Credit	5,710	5,602
— Building	5,745	6,707
Deferred Income Taxes (Note 3)	106	58
	<u>32,150</u>	<u>23,134</u>

SHAREHOLDERS EQUITY

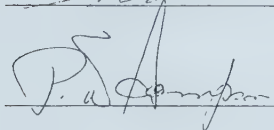
Share Capital:		
Authorized - 5,000 common shares @ \$100 each		
- unlimited preferred shares @ \$100 each		
Issued and fully paid - 5,000 common shares	500	500
Reserve - General Contingencies (Note 4)	212	82
Retained Earnings	14	9
	<u>726</u>	<u>591</u>
	<u>\$ 32,876</u>	<u>\$ 23,725</u>

SEE ACCOMPANYING NOTES

"Approved on Behalf of the Board



Director



Director

Saskatchewan Co-operative Financial Services Limited
STATEMENT OF OPERATIONS AND RETAINED EARNINGS
for the years ended December 31, 1977, 1976
(in \$000's)

	1977	1976
REVENUE		
Interest on Loans	\$2,230	\$1,423
Rent - Parent	568	317
- Others	364	204
Sales - Cafeteria	65	43
Miscellaneous	11	3
	<u>3,238</u>	<u>1,990</u>
DIRECT EXPENSES		
Interest - Parent	977	402
- Term Deposits	1,308	961
Cafeteria - Cost of Sales	27	18
	<u>2,312</u>	<u>1,381</u>
NET REVENUE	926	609
OPERATING EXPENSES		
Personnel	183	69
General Business	25	14
Property Expenses:		
— Insurance and Taxes	153	106
— Repairs and Maintenance	158	87
— Depreciation (Note 1)	144	88
Professional Fees	11	13
Referral Fees	12	4
Management Fees — Parent	—	60
	<u>686</u>	<u>441</u>
NET INCOME BEFORE TAXES	240	168
Income Tax - Current	17	—
- Deferred	48	46
	<u>175</u>	<u>122</u>
NET INCOME	175	122
Dividends Paid on Share Capital	40	40
	<u>135</u>	<u>82</u>
CURRENT YEAR'S SURPLUS	<u>\$ 135</u>	<u>\$ 82</u>
RESERVE - GENERAL CONTINGENCIES		
- Current Year (Note 4)	\$ 130	\$ 82
Retained Earnings - Current Year	5	—
Retained Earnings - Beginning of Year	9	9
RETAINED EARNINGS - Balance December 31	<u>\$ 14</u>	<u>\$ 9</u>

SEE ACCOMPANYING NOTES

Saskatchewan Co-operative Financial Services Limited

BUILDING ACCOUNT

**SCHEDULE OF OPERATING EXPENSES
for years ended December 31, 1977, 1976**

	1977	1976 (8 Mos.)
Salaries	\$ 62,678	\$ 42,682
Benefits	4,725	1,533
Janitorial	62,284	36,339
Utilities	73,293	38,334
Water & Sewage	1,609	1,016
Insurance	10,772	5,443
Maintenance	19,661	9,301
Parking Lot Expense	846	284
Fees & License	286	30
Payroll Charges	140	109
Service Charges	31	37
Telephone & Office Expense	409	607
Advertising	—	204
Miscellaneous	1,593	1,082
Audit	1,000	—
TOTAL	<u><u>\$239,327</u></u>	<u><u>\$137,001</u></u>

NOTES TO THE FINANCIAL STATEMENTS

1. **SCHEDULE OF FIXED ASSETS AND DEPRECIATION**
for the year ended December 31, 1977

	Cost 31 Dec./76	Net Additions	Cost 31 Dec./76	1977 Provision	Accumulated Depreciation 31 Dec./76	Net
Land	\$ 433,109	\$ —	\$ 433,109	\$ —	\$ —	\$ 433,109
Building	6,099,335	136,522	6,235,857	123,673	204,809	6,031,048
Equipment:						
- Building	46,992	15,540	62,532	9,452	9,600	52,932
- Cafeteria	33,344	—	33,344	6,669	11,509	21,835
Parking Lot	47,395	311	47,706	3,807	5,702	42,004
	<u>\$6,660,175</u>	<u>\$152,373</u>	<u>\$6,812,548</u>	<u>\$143,601</u>	<u>\$231,620</u>	<u>\$6,580,928</u>

The Fixed Assets are being depreciated on a straight line basis at the following rates:

Building	2%
Parking Lot	8%
Equipment	20%

2. Saskatchewan Co-operative Financial Services is a wholly owned subsidiary of the Saskatchewan Co-operative Credit Society Limited. All intercompany accounts are separately disclosed except for one share investment in the parent.

INDEBTEDNESS TO PARENT — The Building Loan is secured by a mortgage in the amount of \$6,000,000. Principal is repayable at \$15,000 monthly. Interest was paid at a rate of 8½% in 1977.

The Line of Credit is secured by an Assignment of Book Debts.

3. DEFERRED INCOME TAX — The deferred taxes arise because of differences between depreciation per financial statements and capital cost allowance. The balance is calculated as follows:

Depreciable Assets - Net Book Value	\$6,148,000
Undepreciated Capital Cost	5,758,000
	<u>\$ 390,000</u>
Deferred Tax (27% of \$390,000)	<u>\$ 106,000</u>

4. RESERVE - GENERAL CONTINGENCIES — The Reserve for General Contingencies has been created by an appropriation of the current year's surplus. 1976 figures have been restated to reflect the creation of this reserve. The reserve is increased by an amount equal to ½ of 1% of the principal amount of loans outstanding at year end less any amounts written off during the year.

	1977	1976
Principal	\$26,035,728	\$16,665,160
½ of 1% (maximum equal to current year's surplus)	130,179	82,484
Less amounts written off	—	—
Amount appropriated	<u>\$ 130,179</u>	<u>\$ 82,484</u>

5. LOAN UNDER ADMINISTRATION — Saskatchewan Co-operative Financial Services Limited is acting as an agent for the Co-operative Superannuation Society for the purpose of processing and disbursing of loans. At 31 December, 1977, the principal amount of the loans outstanding was \$1,797,780 and accrued interest was \$26,750. These amounts are not reflected in these financial statements.

6. COMMITMENTS — The total amount not yet disbursed on loans approved is \$14,200,000.

7. Certain 1976 accounts have been regrouped for comparative purposes.

Notes



